

July 29, 2004

Re: Our File Number LR-04-150; Tax status of free product

Dear

This is in response to your question, "if a retailer offers a coupon to a customer for free product would that product be subject to tax." Please be advised that if a store offers a coupon which entitles the customer to a free product, the store owes sales tax on the "sales value" of the product as defined in Commission Rule 710:65-1-2, a copy of which is enclosed.

This response applies only to the circumstances set out in your request of July 15, 2004. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law. If I can be of further assistance, please feel free to contact me.

Sincerely,

Brenda J. Sullivan
Tax Policy Analyst

cc: David Brown, Taxpayer Assistance Division